

BACKGROUND - AEF LOAN TO REDEVELOPMENT AGENCY

As a matter of background, on December 1, 1987 the County Board of Supervisors adopted a resolution directing that all funds loaned by the Airport Enterprise Fund to the Gillespie Field Redevelopment Agency would be repaid including interest. Interest accrues on the average quarterly outstanding balance equal to the average county earned investment rate as determined by the County Treasurer (Attachment 4).

During FY 98/99 the Airport Enterprise Fund paid \$825,000 directly to the City of El Cajon for Marshall Avenue. Subsequently, we discovered this payment should have been loaned to the Gillespie Field Redevelopment Agency for payment to the City. In order to rectify the error, the County Board of Supervisors on April 11, 2000 determined the AEF payment to the City of El Cajon for the Marshall Avenue project constituted a loan from the AEF to the Redevelopment Agency and directed the County Auditor and Controller to record it as a loan (Attachment 9).

The County Auditor and Controller's Office maintains a debt schedule which indicates principal and interest owed to the Airport Enterprise Fund by the Redevelopment Agency (Attachment 10).

The latest financial statements for the redevelopment agency are also attached. The accompanying notes for these financial statements acknowledge the Redevelopment Agency is required to repay the Airport Enterprise Fund (Attachment 11). An outside independent auditing firm prepared these financial statements.

To date, the Airport Enterprise Fund has been repaid \$225,000. Following receipt of fiscal consultant tax increment projections in January 2004, a repayment timeline will be formulated and forwarded to you.

It should be noted that in the past, County Airports has been responsive to questions regarding this issue, as evidenced in our letter to the FAA dated June 19, 2000 (Attachment 12).